EX PARTE OR LATE FILED

COMMISSIONERS

CATHERINE I. RILEY
CHAIRMAN

CLAUDE M. LIGON
J. JOSEPH CURRAN, III
GAIL C. McDONALD
RONALD A. GUNS

STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

SUSAN S. MILLER
GENERAL COUNSEL

FELECIA L. GREER
EXECUTIVE SECRETARY

GREGORY V. CARMEAN
EXECUTIVE DIRECTOR

September 7, 2001

RECEIVED
SEP 17 2001
FCC MAIL ROOM

Ms. Magali R. Salas
Secretary
Federal Communications Commission
445 12th Street, SW Portals II Building
Washington, DC 20554

RE: Ex Parte Comments - To be filed in the proceeding captioned *"In the Matter of 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers.*, CC Docket No. 00-199.

Dear Ms. Salas:

In accordance with Section 1.1206(b)(1) of the FCC's rules, the Maryland Public Service Commission submits for filing this notice of an *ex parte* contact for inclusion in the public record of this proceeding.

On August 29, 2001, I and Nancy Zearfoss, PSC Technical Advisor to the Commissioners, contacted FCC Commissioner Copps directly to reiterate our desire for several additional accounts as well as our general support for the streamlined Class A Accounts suggested in the June 2001 notice. On September 4, 2001 we contacted Chairman Powell and on September 5, we contacted Commissioners Abernathy and Martin.

On August 29, 2001, we also contacted Deena Shetler directly to cover the same concerns.

Briefly, we suggested the following:

- ***The MD PSC commission applauds the FCC's successful efforts to involve the states in this streamlining process, and respectfully suggests that the cooperative effort has been of mutual benefit resulting in proposed reductions in Class A Accounts of about 40 percent. The few new accounts proposed are necessary adjuncts to the reform proposal.***

The states appreciate the fact that we were invited into the process early to work with the FCC on reforming these accounts. The process worked. Not only were there informal discussions in advance of the notice – but 16 states and NARUC filed comments in various stages of the proceeding. The streamlining suggested has eliminated about 40 percent of the unneeded accounts. We believe the right balance – with the addition of several new accounts – has been struck.

The FCC's proposal for Class A streamlining generally maintains sufficient detail for regulators, but some crucial areas are ignored in plant, expense, and revenue accounts. These areas are covered by the proposed new accounts covering universal service, new technology deployments, and interconnection arrangements. Those additional accounts, along with the proposed reduced Class A structure, are necessary for

No. of Copies rec'd 0+1
List ABCDE

FCC and state regulators to appropriately determine universal service funding levels, pole attachment rates, customer rates in rate of return states, and une and interconnection rates:[1]

- ***We also agree with the FCC's cautious approach to eliminating requirements that are necessary to promote universal service, foster efficient competition, and protect consumers before significant market changes occur.***

More detail on our specific positions is provided in the appendix included with this letter. If you have any questions about this or any other PSC position, please do not hesitate to contact me at 410 767-8099.

Respectfully Submitted,

Gail C. McDonald

Gail C. McDonald

[1] *Some States have taken advantage of The Pole Attachment Act and supplanted the FCC in regulating pole attachments. States generally develop these rates using a formula based on Class A accounting data. If carriers are allowed to move to Class B accounting, neither the FCC, States, nor competitors will have the data necessary to evaluate these rates.*

APPENDIX TO MARYLAND COMMISSION EX PARTE

I. MD PSC urges the FCC to reject in toto the USTA's Proposal to Eliminate Class A Accounting for Large ILECs - taking them down to Class B level of reporting.

- ***Elimination of Class A accounting requirements would undermine state's ability to understand the nature of the carriers' costs – and make it more difficult for states to evaluate ILEC Cost studies prepared for determining universal service support, UNE prices, and interconnection prices.*** *ILEC costs are largely driven by network plant investments. Class B accounting reveals little about such investments. For example, under Class B, all outside cable and wire investments are contained in one account. No detail would be provided regarding the construction or makeup of the various types of outside plant. All fiber, copper, aerial, underground, and buried cables as well as poles and conduit would be combined together in one account. These separate accounts are critical cost components used to establish proper universal service support, UNE, Pole attachment and other rates that ILECs charge its customers and competitors. Furthermore, it would undermine the states' ability to set or assess the carriers' depreciation rates or even the FCC's life and salvage rates. This is because various types of plant inherently have widely diverse life and salvage factors. Combining them would seriously distort the usefulness of the current prescribed ranges and undermine all the programs that rely on them (i.e., universal service model, UNE pricing)*

- ***The USTA argument that Class A accounting requirements are too burdensome for the largest ILECs is disingenuous as the data is already collected – whether it is reported or not.*** Today these carriers maintain from 2,500 to 4,500 accounts in each of their own accounting systems. To comply with Class A accounting, all that they do is aggregate their own account balances into the standard Class A format of about 300 accounts. If carriers are allowed to move to Class B accounting, only the ILECs would have the detailed data critical to evaluate the appropriate rates and support levels for these federal and State activities. State and Federal regulators would lack access to the critical data needed to assess appropriate rates and funding levels.

- ***The USTA argument that no accounting and reporting requirements are necessary under a price cap/"CALLS" regulatory regime is false.*** *Carriers may still justify rate increases based on low-end adjustment claims and other measures that rely on cost data that are in place under current federal and State regulatory schemes.*

- ***Accounting and reporting requirements are clearly necessary for monitoring UNE pricing and universal service support, both critical elements in promoting competition and connectivity as required by the 1996 Act.***

II. The MD PSC generally supports the NPRM Proposal to eliminate 125 of 296 Class A accounts (mostly revenue, expense, and liability accounts); retain 171 current accounts.

- ***In general we applaud the FCC's efforts to simplify and streamline its accounting and reporting requirements and certainly agree with the elimination of any overlap of federal and state reporting requirements (one focus of this proceeding) as well as elimination of other unnecessary reporting requirements.*** *NARUC generally agrees with the streamlined Class A* *level detail, as proposed by the FCC; however, there are a few areas where additional detail, as proposed by the States, will be necessary to ensure that the accounting system reflects recent technological changes and allow both federal and State regulators to carry out their mandates under the 1996 Act.*

- ***We appreciate the fact that we were invited into the process early to work with the FCC on reforming these accounts. We believe the process worked. Not only were their informal discussions in advanced of the notice – but 16 states and NARUC filed comments in various stages of the proceeding. The streamlining suggested has eliminated about 40 percent of the unneeded accounts – but we believe the right balance – with the addition of several new accounts – has been struck.*** *The FCC's proposal for Class A streamlining generally maintains sufficient detail for regulators, but some crucial areas are ignored in plant, expense, and revenue accounts. These are covered by the proposed new accounts.*

II. The MD PSC generally supports the State proposals to add several new accounts to reflect new technologies and the requirements of the '96 Act (*e.g.*, universal service support, UNE pricing, number portability).

- ***The accounts suggested by states for new technologies are appropriate and necessary to enable the FCC to maintain an up-to-date accounting system.*** These accounts will enable the FCC and states to continue to understand the nature of the carrier's investment and ensure that prices are reflective of their actual costs. Moreover, such information will enable the FCC and states to monitor issues such as deployment, collocation, and interconnection cooperation.

- ***The following few additional accounts, along with the proposed Class A structure, are necessary for both federal and State regulators to appropriately determine universal service funding levels, pole attachment rates, customer rates in rate of return States, and UNE and interconnection rates:***[2]

  - *Creation of expense and revenue accounts for UNE and interconnection to help states administer the prices of these services.*
  - *Creation of a new account for packet and ATM switches to reflect the planned wide-scale deployment of such facilities.*
  - *Creation of expense and revenue accounts for universal service funding, reciprocal compensation, resale, and collocation activities.*

NEW PROPOSED INTERCONNECTION REVENUE AND EXPENSE ACCOUNTS

These accounts should help commissions assess the level of local competition as well as the proper prices for interconnection arrangements (e.g., UNEs and resale). They also provide critical inputs needed to assess the FCC's intercarrier compensation NPRM.

NEW PROPOSED UNIVERSAL SERVICE ACCOUNTS 5090 (USF SUPPORT REVENUE) & 6554 (USF SUPPORT EXPENSE).

---

[2] *Some States have taken advantage of The Pole Attachment Act and supplanted the FCC in regulating pole attachments. States generally develop these rates using a formula based on Class A accounting data. If carriers are allowed to move to Class B accounting, neither the FCC, States, nor competitors will have the data necessary to evaluate these rates.*

Expense and revenue accounts must be created for the federal and state universal service programs to ensure that the carriers' universal service billing rates reflect the needs of the programs.

- **PROPOSAL TO ELIMINATE ACCOUNT 5084 WHICH IS CAPTIONED "STATE ACCESS REVENUE" AND TAKE THE "FEDERAL" DESIGNATOR OFF OF ACCOUNTS 5081(END USER REVENUE), 5082 (SWITCHED ACCESS REVENUE), AND 5083(SPECIAL ACCESS REVENUE).**

This proposal provides the States with a better breakout of access revenues. Currently all STATE access revenue – included, e.g., state switched and special access, any state "SLC" – are all booked in a single account. If this proposal is adopted – the ILECs will have to book intrastate/State costs into three separate accounts, e.g., enduser/switched access/special access, and THEN when the carrier files its Separations ARMIS report "the Separations 43-04" – the costs will be broken down by interstate/intrastate via direct assignment.

- **NEW PROPOSED OPTICAL SWITCHING ACCOUNTS 6213 OPTICAL EXPENSE (Circuit/Packet)/ DIGITAL ELECTRONIC EXPENSE (Circuit /Packet)/ 2212 DIGITAL ELECTRONIC SWITCHING (Circuit /Packet)/ 2213 OPTICAL SWITCHING**

With the move towards packet – this could be a source of trend data. As networks move toward Internet protocol (IP), these technologies will become more predominant. The difference in their functions, designs, and costs require that they be placed in new accounts, and not lumped with existing and/or older technologies. Plant accounts must recognize technologies being deployed by the industry today. Switching accounts that recognize only electronic circuit switching is already anachronistic. It is therefore imperative that switching accounts include categories for packet switching (ATM, frame relay) and optical switching. These technologies are in place today and are being deployed by the industry on a fast track.

IV. The MD PSC supports (1) elimination of reporting requirements in ARMIS that are less useful and/or obsolete, (2) upgrades of ARMIS to collect information on new techonologies, and (3) believes elimination of State-by-State ARMIS data would be counterproductive.

- ***The MD PSC fully supports the FCC's proposal to eliminate the collection of obsolete data and to update its ARMIS reports to obtain information on new technologies (upgrades and investments in switching and transmission capacity) that are critical components of the carrier's network infrastructure.*** The information that the FCC proposes to collect is basic to the FCC's responsibilities to assure the integrity of the country's network and should impose minimal burden on the carriers. The elimination of data (approximately half of what is collected today) will further ease the data collection burden on the carrier.

- ***The MD PSC believes that USTA's proposal to eliminate state-by-state ARMIS information would undermine the states' ability to use any data provided in ARMIS.*** Moreover, it would harm the FCC's ability to monitor and investigate ILEC activities, especially in cases where a targeted investigation may be warranted.[3] ARMIS was

[3] The Ameritech service quality issue is a good example where target investigation may be warranted as a result of the data reported in ARMIS. See October 6, 2000 letter to James Calloway, Group President - SBC Services from Dorothy Attwood, Chief, Common Carrier Bureau, FCC, DA 00-2298,

designed to accommodate both FCC and state needs. To eliminate the information provided on a state basis would undermine the goals that ARMIS sought to achieve. The carriers are required by most states to maintain this data on a state basis. Thus, no burden is placed on the carrier to maintain the state data, and the burden to report it is minimal.

---

regarding the downward trend in service quality based on quarterly reports filed with the FCC pursuant to the Merger Conditions.